

**REPORT OF THE AUDIT OF THE  
KENTON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**



**CRIT LUALLEN  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Ralph Drees, Kenton County Judge/Executive

Members of the Kenton County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kenton County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC evaluated Kenton County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE KENTON COUNTY FISCAL COURT**

**June 30, 2007**

Peercy and Gray, PSC, has completed the audit of the Kenton County Fiscal Court for fiscal year ended June 30, 2007.

The financial statements of Kenton Housing, Inc., a discretely presented component unit, have been audited by other auditors; and their report has been provided to us. The financial statements of the Kenton County Golf Course, a major enterprise fund, have also been audited by other auditors; and their report has been provided to us. Financial statements for both have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Kenton County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion, based on our audit and the reports of the other auditors, on the discretely presented component unit, the business-type activities, and the major enterprise fund.

We have also issued unqualified opinions on the governmental activities, each major governmental fund, and the aggregate remaining fund information of Kenton County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$73,734,014 as of June 30, 2007. The fiscal court had unrestricted net assets of \$20,414,494 in its governmental activities as of June 30, 2007, with total net assets of \$71,230,707. In its business-type activities, total net cash and cash equivalents were \$166,128 with total net assets of \$2,503,307. The fiscal court's discretely presented component unit had total net assets of \$6,988,803 as of June 30, 2007. The discretely presented component unit had unrestricted net cash and cash equivalents of \$1,022,802. The fiscal court had total debt principal as of June 30, 2007 of \$40,615,000 with \$2,685,000 due within the next year.

#### **Report Comments:**

- The County Judge/Executive Should Receive His Statutory Maximum
- The County Should Secure A Contract Between Themselves And Other Governmental Entities For Whom County Employees Are Performing Financial Services

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Ralph Drees, Kenton County Judge/Executive  
Members of the Kenton County Fiscal Court

#### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kenton County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Kenton County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kenton County Golf Course, which represent 100% of the assets and revenues of the business-type activities and major enterprise fund. We also did not audit the financial statements of Kenton Housing, Inc., which represent 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Kenton County Golf Course and Kenton Housing, Inc., is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As described in Note 1, Kenton County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Kenton County Golf Course, an enterprise fund and Kenton Housing, Inc., a discretely presented component unit, are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are as follows:

#### Kenton County Golf Course (Major Enterprise Fund and Business-type Activity)

- 2% increase to total assets, 16% increase to total liabilities, 1% increase to revenues, and 4% increase to expenses.

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Kenton Housing, Inc. (Discretely Presented Component Unit)

- 22% increase to assets, 92% increase to liabilities, 11% increase to revenues, 5% increase to expenses.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined had the Kenton County Golf Course and Kenton Housing, Inc., been prepared using the same basis of accounting as Kenton County, Kentucky, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the major enterprise fund of Kenton County, Kentucky as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund, and the aggregate remaining fund information of Kenton County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kenton County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2008 on our consideration of Kenton County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the People of Kentucky  
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Members of the Kenton County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Judge/Executive Should Receive His Statutory Maximum
- The County Should Secure A Contract Between Themselves And Other Governmental Entities For Whom County Employees Are Performing Financial Services

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

August 25, 2008

**KENTON COUNTY OFFICIALS**

For The Year Ended June 30, 2007

**Fiscal Court Members:**

Ralph A. Drees	County Judge/Executive
Kris Knochelmann	Commissioner
Dan Humpert	Commissioner
Sara Reeder Voelker	Commissioner

**Other Elected Officials:**

Garry Edmondson	County Attorney
Terrance Carl	Jailer
Rodney Eldridge	County Clerk
John Middleton	Circuit Court Clerk
Charles L. Korzenborn	Sheriff
Merrick Krey	Property Valuation Administrator
David Suetholz	Coroner

**Appointed Personnel:**

Ivan Frye	County Treasurer
Melissa Maschinot	Occupational Tax Collector
Brenda Spare	Finance Officer



# KENTON COUNTY FISCAL COURT

RALPH A. DREES, Judge/Executive  
SARA REEDER VOELKER, Commissioner  
DAN HUMPERT, Commissioner  
KRIS KNOCHELMANN, Commissioner  
GARRY EDMONDSON, Attorney

R. SCOTT KIMMICH, Deputy Judge/Executive  
JEROME D. KNOCHELMANN, Treasurer  
JOE SHRIVER, Director, Human Resource  
ED BUTLER, Police Chief  
JOE MURPHY, Director, Public Works

BILL DORSEY, Director, HSEM  
SCOTT GUNNING, Director, Parks & Recreation  
ROGER WELLS, Director, Fleet Management &  
Solid Waste Coordinator

## MANAGEMENT'S DISCUSSION AND ANALYSIS FYE 6/30/07

The management of Kenton County, Kentucky offers readers of Kenton County's financial statements this narrative overview and analysis of the financial activities of Kenton County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

### Financial Highlights

At the close of the current fiscal year, the Kenton County balance sheet reported fund balances of \$17,484,354; of this amount \$544,419 is reserved for encumbrances, leaving an unreserved fund balance of \$16,939,935 available for spending at the government's discretion.

In its enterprise fund (the Golf Fund), cash and cash equivalents were \$166,128 with total assets of \$4,430,269.

Kenton County's total net assets were \$73,734,014 as of June 30, 2007, an increase of \$1,320,505 over the previous year.

In its governmental activities, Kenton County's total indebtedness at the close of fiscal year June 30, 2007 was \$39,270,000, a reduction of \$1,930,000 from 2006.

### Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Kenton County's basic financial statements. Kenton County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Kenton County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Overview of the Financial Statements (Continued)**

With the implementation of GASB 34 reporting requirements it has been determined that Kenton Housing, Inc. (dba Rosedale Manor Nursing Home) is a component unit of the county and the Kenton Housing, Inc. audit is discretely presented in the county audit. Because Kenton Housing, Inc. has a different fiscal year from the county and their financial records are on a full accrual basis, as is the Kenton County Golf Course, the auditor has issued a "Qualified Opinion" on these audits simply because of the different accounting method. **This opinion is not a reflection on the financial condition of Kenton County or the presentation of its financial statements.** The county uses the cash basis of accounting as prescribed by the Kentucky State Local Finance Officer in accordance with KRS 68.210.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Kenton County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Kenton County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Kenton County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Kenton County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has one business type activity - the operation of three county golf courses.

The government-wide financial statements include not only Kenton County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Kenton County has two such entities, the County Golf Course Fund that is presented as a blended component unit and Rosedale Manor Nursing Home presented as a discrete component unit.

**Kenton County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Overview of the Financial Statements (Continued)**

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kenton County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Kenton County can be divided into two broad categories: *governmental funds* and *proprietary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Kenton County maintains five major governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, Occupational License Tax Fund (COLT), and Debt Service Fund, all of which are considered major funds by the County. Local Government Economic Assistance Fund (LGEA), Community Development Block Grant Fund (CDBG), Special Police Fund, Jail Canteen Fund, and Bond Proceeds Fund are considered non-major funds and are represented in a combined form.

Kenton County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison schedule has been provided for the General, Road, Jail, and Occupational License Tax funds to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Kenton County Golf Course.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis.**

**Net Assets.** Net assets may serve as a useful indicator of a government's financial position and is more reflective of the government's financial health when viewed over time.

**Kenton County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Overview of the Financial Statements (Continued)**

**Table 1**  
**Kenton County Net Assets**

	<b>Governmental</b>		<b>Business</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
<b>Assets</b>						
Current and other Assets	\$ 20,580,691	20,414,494	\$ 348,387	262,828	\$ 20,929,078	\$ 20,677,322
Capital assets	90,455,899	90,086,213	4,587,609	4,167,441	95,043,508	94,253,654
Total Assets	111,036,590	110,500,707	4,935,996	4,430,269	115,972,586	114,930,976
<b>Liabilities</b>						
Current and other liabilities	2,645,000	2,255,000	1,014,077	1,011,962	3,659,077	3,266,962
Long-term liabilities	38,555,000	37,015,000	1,345,000	915,000	39,900,000	37,930,000
Total Liabilities	41,200,000	39,270,000	2,359,077	1,926,962	43,559,077	41,196,962
<b>Net Assets</b>						
Invested in capital assets, net of related debt	53,842,160	50,816,213	2,460,409	2,543,291	56,302,569	53,359,504
Restricted	1,552,442		879,254	879,254	2,431,696	879,254
Unrestricted	14,441,988	20,414,494	(762,744)	(919,238)	13,679,244	19,495,256
Total net assets	\$ 69,836,590	71,230,707	\$ 2,576,919	2,503,307	\$ 72,413,509	\$ 73,734,014

Key elements of governmental activities are as follows:

- Current assets and cash decreased by \$166,197.
- Investment in capital assets, net of related debt decreased by \$3,025,947.
- Current and long-term liabilities decreased by \$1,930,000.

Key elements of business-type activities are as follows:

- Current assets and cash decreased by \$85,559.
- Investment in capital assets, net of related debt increased \$82,882.
- Current and long-term liabilities decreased \$432,115.



**Kenton County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Overview of the Financial Statements (Continued)**

**Table 2**  
**Statement of Activities Comparison**

<b>Expenses:</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>2006</b>	<b>2007</b>	<b>Variance</b>	<b>2006</b>	<b>2007</b>	<b>Variance</b>
General Government	\$ 11,918,346	\$ 11,857,814	\$ (60,532)	\$ 2,480,723	\$ 2,505,050	\$ 24,327
Protection to Persons and Property	9,665,938	9,609,093	(56,845)			
General Health and Sanitation	1,948,084	2,151,408	203,324			
Social Services	1,105,220	2,274,199	1,168,979			
Recreation and Culture	719,918	974,697	254,779			
Bus Service	7,208,932	7,780,468	571,536			
Roads	2,757,088	2,476,966	(280,122)			
Transportation Facilities	283,591	288,240	4,649			
Road Facilities	1,029,817	1,146,591	116,774			
Debt Service	1,685,861	1,928,103	242,242			
Capital Projects	1,126,956	1,012,467	(114,489)			
Total Expenses	39,449,751	41,500,046	2,050,295	2,480,723	2,505,050	24,327
<b>Revenues:</b>						
Charges for Services	3,651,662	3,139,684	(511,978)	2,386,212	2,398,103	11,891
Operating Grants and Contributions	8,509,085	4,389,811	(4,119,274)			
Capital Grants and Contributions	1,963,542	1,489,382	(474,160)			
General Revenues	28,372,454	33,875,286	5,502,832	303,286	33,335	(269,951)
Change in Net Assets	3,046,992	1,394,117	(1,652,875)	208,775	(73,612)	(282,387)
Beginning Net Assets	66,789,598	69,836,590	3,046,992	2,368,144	2,576,919	208,775
Ending Net Assets	\$ 69,836,590	\$ 71,230,707	\$ 1,394,117	\$ 2,576,919	\$ 2,503,307	\$ (73,612)

**Changes in Net Assets.**

*Governmental Activities.* Kenton County's net assets increased by \$1,394,117 in fiscal year 2007. Key elements are as follows:

- Revenues were \$42,894,163 as reflected in the Statement of Activities.
- Expenditures totaled \$41,500,046 as reflected in the Statement of Activities.

*Business-type Activities.* Net assets of the Kenton County Golf Courses decreased by \$73,612 in fiscal year 2007. Key elements of this are as follows:

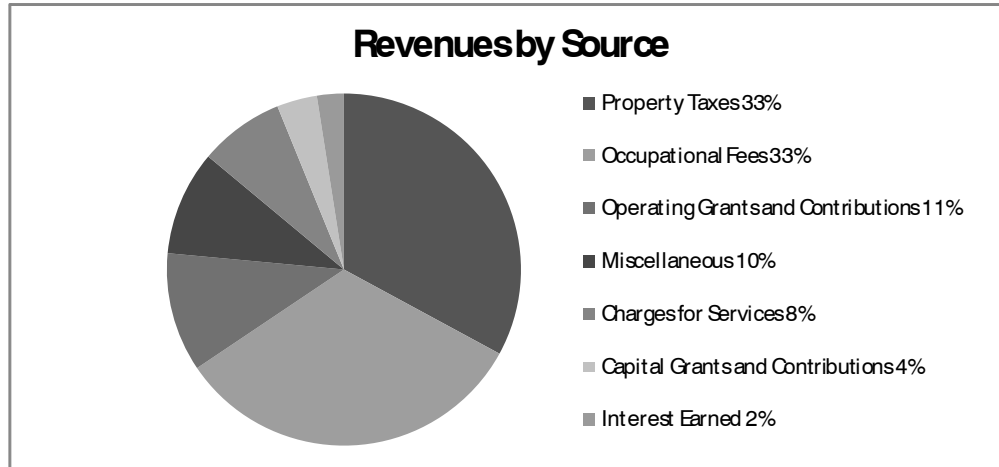
- Revenues were \$2,431,438 as reflected in the Statement of Activities.
- Expenditures totaled \$2,505,050 as reflected in the Statement of Activities.

**Kenton County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Overview of the Financial Statements (Continued)**

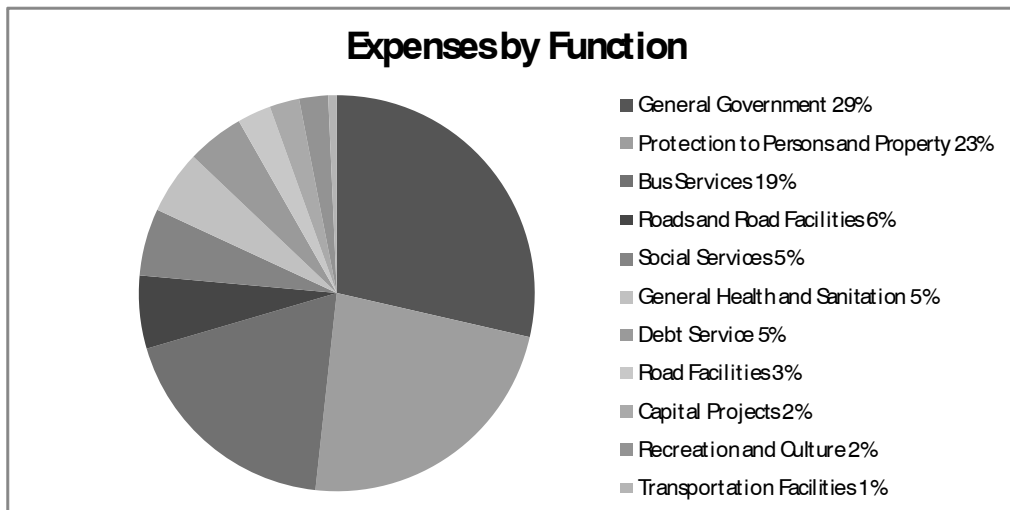
**Revenues**

For fiscal year ended June 30, 2007, revenues for the primary government totaled \$42,894,163. These revenues are depicted by source in the graph below.



**Expenses**

For fiscal year ended June 30, 2007, expenses for the primary government totaled \$41,500,046. These expenses are depicted by major function in the graph below.



**Kenton County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Financial Analysis of the County's Funds.**

As noted earlier, Kenton County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Kenton County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2007 fiscal year, the combined ending fund balance of County governmental funds was \$17,484,354. Of this amount, \$544,419 is reserved for encumbrances. The remaining is available as working capital and for current spending in accordance with the purposes of the specific funds.

The County has five major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Occupational License Fund; 5) Debt Service Fund. There are five non-major funds. They are the Local Government Economic Assistance Fund; Community Development Block Grant Fund, Special Police Fund, Jail Canteen Fund, and Bond Proceeds Fund.

1. The General Fund is the chief operating fund of Kenton County. At the end of the June 30, 2007 fiscal year, the unreserved fund balance of the General Fund was \$7,367,652. As a measure of liquidity, it is useful to compare unreserved fund balance to total fund expenditures and this balance represented 46.3% of the total General Fund Expenditures.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund required a transfer of \$1,200,000 from the General Fund for operations and had a balance of \$1,597,338 at year-end.
3. The Jail Fund is used to account for the operation of the County's detention center. The General Fund supplements jail operations with budget transfers therefore the Jail Fund balance of \$517,233 should be treated as excess General Fund transfers. Transfers of \$4,273,000 to the Jail Fund are very high and continue to be an ever-increasing burden on the County's General Fund.
4. The Occupational License Fund accounts for the receipt of payroll and net profit license fees. These funds provide for mass transit, mental health/mental retardation, senior services, nursing and health care and debt service on the county parking garage. The fund had a balance of \$6,762,830, which is a decrease of \$1,334,216 from the previous fiscal year end.
5. The Debt Service Fund is used to account for bond proceeds and payment of debt principal and interest. The fund had a balance of \$28,435 at year-end.

**Kenton County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

Other Governmental funds consist of the LGEA Fund that receives funds from the state for coal and mineral impact fees. These are restricted to use on coal haul road and the fund had a balance of \$5,822 at year-end. The CDBG Fund accounts for restricted purpose federal grant funds supplemented by the receipt of repayments from economic development loans and had a fund balance of \$1,006,675 at year-end. The Special Police Fund represents the proceeds of forfeited assets from court cases and is used only for police purposes. The fund had a balance of \$115,408 at year-end. The Jail Canteen Fund represents the proceeds from sales to inmates and the net profit is used to provide inmate health, welfare, and recreational needs. The fund had a balance of \$43,788 at year-end. The Bond Proceeds Fund was closed during the year and the balance was transferred to the Road Fund for capital projects.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Kenton County has two proprietary funds, the Kenton County Golf Courses Fund and an Internal Self-Insurance Service Fund. The Golf Fund had net assets of \$2,503,307, representing a decrease of \$73,612 over the previous year. The Self-Insurance Fund balance ending June 30, 2007, was \$2,930,140, all of which is held in cash and cash equivalents.

**Capital Assets and Debt Administration.**

*Capital Assets.* Kenton County's investment in capital assets for its government and business type activities as of June 30, 2007, amounts to \$94,141,775 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions. The County has elected to report infrastructure assets per GASB 34 provisions.

**Table 3**  
**Kenton County's Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Activities</b>	
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
Infrastructure Assets	\$ 7,531,756	\$ 7,298,320	\$	\$	\$ 7,531,756	\$ 7,298,320
Land	12,976,500	13,726,500	354,885	354,885	13,331,385	14,081,385
Const in Progress		39,000				39,000
Buildings and Improvements	65,438,015	64,940,472	3,413,874	3,179,379	68,851,889	68,119,851
Other Equipment			669,679	521,298	669,679	521,298
Vehicles and Equipment	4,509,628	4,081,921			4,509,628	4,081,921
Total Net Assets	\$ 90,455,899	\$ 90,086,213	\$ 4,438,438	\$ 4,055,562	\$ 94,894,337	\$ 94,141,775

**Kenton County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Capital Assets and Debt Administration. (Continued)**

Additional information on the County's capital assets can be found in Note 3 of this report.

*Long-Term Debt.* At the end of the 2007 fiscal year, Kenton County had total long-term debt outstanding in its governmental activities of \$39,270,000, of which \$2,255,000 is considered short-term obligations (to be paid within 1 year). The Commonwealth of Kentucky limits the amount of debt that a unit of government can issue to two percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for Kenton County is \$177,860,658, which makes the current debt only 25% of the legal issuing authority.

*Short-Term Debt.* The county had no short-term debt other than the amount of long term debt due in the next fiscal year. The county does not have any lease or lease purchase agreements as of June 30, 2007.

Additional information on the County's debt can be found in Note 5.

**Requests For Information**

This financial report is designed to provide a general overview of Kenton County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Kenton County Treasurer, PO Box 792 (303 Court Street), Covington, KY 41012.

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**KENTON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**





**KENTON COUNTY**  
**STATEMENT OF NET ASSETS-MODIFIED CASH BASIS**

	June 30, 2007			
	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Kenton Housing, Inc. As Of December 31, 2006
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 17,326,627	\$ 166,128	\$ 17,492,755	\$ 1,022,802
Investments	2,808,717		2,808,717	3,608,378
Accounts Receivable (net)				1,401,412
Concession Receivable		22,600	22,600	
Inventory		74,100	74,100	16,996
Internal Receivable	279,150		279,150	
Prepaid Items				242,410
Total Current Assets	20,414,494	262,828	20,677,322	6,291,998
Non-Current Assets:				
Restricted Cash				114,045
Restricted Investments				895,162
Land and Land Improvements	13,726,500	354,885	14,081,385	
Construction in Progress	39,000		39,000	
Capital Assets - Net of Accumulated Depreciation:				
Land Improvements		2,643,351	2,643,351	
Buildings and Improvements	64,940,472	536,028	65,476,500	
Driveway		896	896	
Power Carts		479,453	479,453	
Machinery and Equipment		40,872	40,872	
Furniture and Fixtures		77	77	
Vehicles and Equipment	4,081,921		4,081,921	
Infrastructure	7,298,320		7,298,320	
Capital Assets-Not Net of Accumulated Depreciation:				
Departmental Equipment				509,188
Furniture and Fixtures				163,371
Leasehold Improvements				421,825
Motor Vehicles				87,891
Allowance for Depreciation				(820,680)
Other Assets:				
Bond Defeasance Costs (Net Of Accumulated Amortization of \$275,423)		82,627	82,627	
Bond Issuance Costs (Net of Accumulated Amortization of \$46,153)		13,847	13,847	
Bond Discount (Net of Accumulated Amortization of \$51,351)		15,405	15,405	
Total Non-Current Assets	90,086,213	4,167,441	94,253,654	1,370,802
Total Assets	110,500,707	4,430,269	114,930,976	7,662,800

The accompanying notes are an integral part of the financial statements.

**KENTON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**June 30, 2007**  
**(Continued)**

	<b>Primary Government</b>			<b>Kenton Housing, Inc. As Of December 31, 2006</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$	\$ 88,143	\$ 88,143	\$ 292,182
Miscellaneous Accruals/Payables				6,538
Accrued Payroll		24,050	24,050	320,602
Personal Fund Account				54,675
Accrued Compensated Absences		146,408	146,408	
Other Accrued Liabilities		28,220	28,220	
Gift Certificates Outstanding		15,991	15,991	
Internal Payable		279,150	279,150	
Bonds Payable	2,255,000	430,000	2,685,000	
Total Current Liabilities	2,255,000	1,011,962	3,266,962	673,997
Non-Current Liabilities:				
Bonds Payable	37,015,000	915,000	37,930,000	
Total Non-Current Liabilities	37,015,000	915,000	37,930,000	
Total Liabilities	39,270,000	1,926,962	41,196,962	673,997
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	50,816,213	2,543,291	53,359,504	
Restricted:				
Other		879,254	879,254	
Unrestricted	20,414,494	(919,238)	19,495,256	6,988,803
Total Net Assets	\$ 71,230,707	\$ 2,503,307	\$ 73,734,014	\$ 6,988,803

The accompanying notes are an integral part of the financial statements.

**KENTON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**

**KENTON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 11,857,814	\$ 2,579,128	\$ 620,185	\$
Protection to Persons and Property	9,609,093	36,367	2,199,746	4,634
General Health and Sanitation	2,151,408		183,111	
Social Services	2,274,200			
Recreation and Culture	974,697			
Bus Service	7,780,468			
Roads	2,476,966	524,189	1,386,769	
Transportation Facilities	288,240			
Road Facilities	1,146,591			
Debt Service	1,928,102			1,293,168
Capital Projects	1,012,467			191,580
Total Governmental Activities	41,500,046	3,139,684	4,389,811	1,489,382
Business-type Activities:				
Golf Course	2,505,050	2,398,103		
Total Business-type Activities	2,505,050	2,398,103		
Total Primary Government	\$ 44,005,096	\$ 5,537,787	\$ 4,389,811	\$ 1,489,382
Component Units:				
Kenton Housing, Inc	\$ 11,357,985	\$	\$ 12,240,599	\$
Total Component Units	\$ 11,357,985	\$	\$ 12,240,599	\$

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Gain on Sale of Capital Assets

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**KENTON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit For The Year Ended December 31, 2006
Governmental Activities	Business-Type Activities	Totals	
\$ (8,658,501)	\$	\$ (8,658,501)	\$
(7,368,346)		(7,368,346)	
(1,968,297)		(1,968,297)	
(2,274,200)		(2,274,200)	
(974,697)		(974,697)	
(7,780,468)		(7,780,468)	
(566,008)		(566,008)	
(288,240)		(288,240)	
(1,146,591)		(1,146,591)	
(634,934)		(634,934)	
(820,887)		(820,887)	
(32,481,169)		(32,481,169)	
	(106,947)	(106,947)	
	(106,947)	(106,947)	
(32,481,169)	(106,947)	(32,588,116)	
			882,614
			882,614
11,088,627		11,088,627	
882,692		882,692	
1,262,953		1,262,953	
13,170,504		13,170,504	
2,631,769		2,631,769	
988,923	19,754	1,008,677	121,472
			242,266
3,849,818	13,581	3,863,399	
33,875,286	33,335	33,908,621	363,738
1,394,117	(73,612)	1,320,505	1,246,352
69,836,590	2,576,919	72,413,509	5,742,451
\$ 71,230,707	\$ 2,503,307	\$ 73,734,014	\$ 6,988,803

The accompanying notes are an integral part of the financial statements.

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**KENTON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

**KENTON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Occupational License Tax Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,398,108	\$ 1,597,338	\$ 517,233	\$ 3,962,830
Investments	8,717			2,800,000
Due From County Golf Course				
<b>Total Assets</b>	<u>7,406,825</u>	<u>1,597,338</u>	<u>517,233</u>	<u>6,762,830</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	\$ 39,173	\$ 179,216	\$ 22,786	\$ 91,580
Unreserved:				
General Fund	7,367,652			
Special Revenue Funds		1,418,122	494,447	6,671,250
Debt Service Fund				
<b>Total Fund Balances</b>	<u>\$ 7,406,825</u>	<u>\$ 1,597,338</u>	<u>\$ 517,233</u>	<u>\$ 6,762,830</u>

The accompanying notes are an integral part of the financial statements.



**KENTON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2007**  
**(Continued)**

<b>Debt Service Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 28,435	\$ 892,543	\$ 14,396,487
		2,808,717
	279,150	279,150
<u>28,435</u>	<u>1,171,693</u>	<u>17,484,354</u>
\$	\$ 211,664	\$ 544,419
		7,367,652
	960,029	9,543,848
<u>28,435</u>		<u>28,435</u>
<u>\$ 28,435</u>	<u>\$ 1,171,693</u>	<u>\$ 17,484,354</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 17,484,354
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	121,367,727
Accumulated Depreciation	(31,281,514)
Internal Service Fund is Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Assets and Liabilities Are Included in Governmental Activities on the Statement of Net Assets.	2,930,140
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Bonded Debt	<u>(39,270,000)</u>
Net Assets Of Governmental Activities	<u>\$ 71,230,707</u>

The accompanying notes are an integral part of the financial statements.

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**KENTON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**KENTON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Occupational License Tax Fund</b>
<b>REVENUES</b>				
Taxes	\$ 14,968,906	\$	\$	\$ 11,240,191
In Lieu Tax Payments	24,779			
Excess Fees	2,631,769			
Licenses and Permits	170,900			
Intergovernmental	1,408,155	1,386,769	1,747,187	
Charges for Services	2,579,128	524,189	36,367	
Miscellaneous	2,713,016	258,630	530,707	307,664
Interest	453,507	70,569	50,253	356,212
Total Revenues	<u>24,950,160</u>	<u>2,240,157</u>	<u>2,364,514</u>	<u>11,904,067</u>
<b>EXPENDITURES</b>				
General Government	3,197,924			
Protection to Persons and Property	4,177,678		4,928,093	
General Health and Sanitation	557,394			1,591,739
Social Services	252,645			2,021,555
Recreation and Culture	291,571	657,252		
Roads		2,109,894		
Bus Services				7,780,468
Transportation Facilities and Services				138,240
Road Facilities		1,133,187		
Debt Service				
Capital Projects	2,295,952		16,920	
Administration	5,143,736	922,574	1,965,432	308,005
Total Expenditures	<u>15,916,900</u>	<u>4,822,907</u>	<u>6,910,445</u>	<u>11,840,007</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>9,033,260</u>	<u>(2,582,750)</u>	<u>(4,545,931)</u>	<u>64,060</u>
<b>Other Financing Sources (Uses)</b>				
Bond Proceeds				
Payments to Refunded Bond Escrow Agent				
Transfers From Other Funds	20,138	2,756,522	4,273,000	
Transfers To Other Funds	(7,018,562)			(1,398,276)
Total Other Financing Sources (Uses)	<u>(6,998,424)</u>	<u>2,756,522</u>	<u>4,273,000</u>	<u>(1,398,276)</u>
Net Change in Fund Balances	2,034,836	173,772	(272,931)	(1,334,216)
Fund Balances - Beginning	5,371,989	1,423,566	790,164	8,097,046
Fund Balances - Ending	<u>\$ 7,406,825</u>	<u>\$ 1,597,338</u>	<u>\$ 517,233</u>	<u>\$ 6,762,830</u>

The accompanying notes are an integral part of the financial statements.

**KENTON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Debt Service Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 26,209,097
		24,779
		2,631,769
		170,900
1,293,168	43,914	5,879,193
		3,139,684
	428,620	4,238,637
28,811	29,572	988,924
<u>1,321,979</u>	<u>502,106</u>	<u>43,282,983</u>
		3,197,924
	33,522	9,139,293
		2,149,133
		2,274,200
		948,823
	45,200	2,155,094
		7,780,468
		138,240
		1,133,187
4,237,846		4,237,846
		2,312,872
379,307		8,719,054
<u>4,617,153</u>	<u>78,722</u>	<u>44,186,134</u>
<u>(3,295,174)</u>	<u>423,384</u>	<u>(903,151)</u>
17,740,000		17,740,000
(17,360,257)		(17,360,257)
2,943,838		9,993,498
	(1,576,660)	(9,993,498)
<u>3,323,581</u>	<u>(1,576,660)</u>	<u>379,743</u>
28,407	(1,153,276)	(523,408)
28	2,324,969	18,007,762
<u>\$ 28,435</u>	<u>\$ 1,171,693</u>	<u>\$ 17,484,354</u>

The accompanying notes are an integral part of the financial statements.

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**KENTON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**





**KENTON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance - Governmental Funds to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ (523,408)
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated over their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	1,715,460
Depreciation Expense	(2,079,809)
Depreciation Expense on Vehicles Purchased by Sheriff	(5,337)
Notes Receivable Principal Received are receipted in the Governmental Funds as Sources of Current Financial Resources. These Transactions Have No Effect on Net Assets.	(388,819)
Internal Service Funds Are Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Net Revenues (Expenses) of this Fund Are Reported with Governmental Activities.	746,030
Lease and Bond Proceeds Provide Current Financial Resources To Governmental Funds While Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets.	
Bond Issue Proceeds	(17,740,000)
Refunded Bonds	17,025,000
Bond Principal Payments	<u>2,645,000</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,394,117</u>

The accompanying notes are an integral part of the financial statements.

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**KENTON COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**



**KENTON COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Kenton County Golf Course</b>	<b>Health Insurance Fund</b>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 166,128	\$ 2,930,140
Concession Receivable	22,600	
Inventory	74,100	
Total Current Assets	<u>262,828</u>	<u>2,930,140</u>
Non-Current Assets:		
Capital Assets:		
Property and Equipment, Net	4,055,562	
Other Assets:		
Bond Defeasance Costs (Net of		
Accumulated Amortization of \$275,423)	82,627	
Bond Issuance Costs (Net of		
Accumulated Amortization of \$46,153)	13,847	
Bond Discount (Net of Accumulated		
Amortization of \$51,351)	15,405	
Total Non-Current Assets	<u>4,167,441</u>	
Total Assets	<u>4,430,269</u>	<u>2,930,140</u>
<b>Liabilities</b>		
Current Liabilities		
Bonds Payable	430,000	
Accounts Payable	88,143	
Accrued Payroll	24,050	
Accrued Compensated Absences	146,408	
Other Accrued Liabilities	28,220	
Gift Certificates Outstanding	15,991	
Due To Primary Government	279,150	
Total Current Liabilities	<u>1,011,962</u>	
Non-Current Liabilities		
Bonds Payable	915,000	
Total Liabilities	<u>1,926,962</u>	
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	2,543,291	
Restricted	879,254	
Unrestricted	<u>(919,238)</u>	<u>2,930,140</u>
Total Net Assets	<u>\$ 2,503,307</u>	<u>\$ 2,930,140</u>

The accompanying notes are an integral part of the financial statements.

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**KENTON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**





**KENTON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Kenton County Golf Course</b>	<b>Health Insurance Fund</b>
<b>Operating Revenues</b>		
Pro-Shop Sales	\$ 138,648	\$
Charges for Services		3,574,066
Refunds/Reimbursements		396,225
Green Fees	1,532,369	
Rentals-Power Carts	605,981	
Rentals-Miscellaneous	21,355	
Concession Commissions	99,750	
Total Operating Revenues	<u>2,398,103</u>	<u>3,970,291</u>
<b>Operating Expenses</b>		
Cost of Sales	74,705	
Claims Paid		3,097,431
Premiums		17,256
Payroll Expenses	1,329,024	
Golf Course Expenses	801,952	
Clubhouse and Pro-Shop Expenses	83,332	
General and Administrative Expenses	142,168	205,750
Total Operating Expenses	<u>2,431,181</u>	<u>3,320,437</u>
Operating Income	<u>(33,078)</u>	<u>649,854</u>
<b>Nonoperating Revenues (Expenses)</b>		
<b>Transfers In Governmental Funds</b>		
Interest Expense	(73,869)	
Bank Service Charges		(4,671)
Interest Revenue	19,754	100,847
Miscellaneous Income	13,581	
Total Nonoperating Revenues (Expenses)	<u>(40,534)</u>	<u>96,176</u>
Change In Net Assets	(73,612)	746,030
Total Net Assets - Beginning	2,576,919	2,184,110
Total Net Assets - Ending	<u>\$ 2,503,307</u>	<u>\$ 2,930,140</u>

The accompanying notes are an integral part of the financial statements.

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**KENTON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**KENTON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Kenton County Golf Course</b>	<b>Health Insurance Fund</b>
<b>Cash Flows From Operating Activities</b>		
Receipts From Customers	\$ 2,293,471	\$ 3,574,066
Receipts from Commissions	99,150	
Claims Paid		(3,097,431)
Premiums Paid		(17,256)
Administrative Fees		(205,750)
Refunds		396,225
Payments to Suppliers	(627,602)	
Payments to Employees	(1,302,419)	
Net Cash Provided By Operating Activities	<u>462,600</u>	<u>649,854</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Proceeds from Non-Operating Income	<u>13,581</u>	
Net Cash Provided By Noncapital Financing Activities	<u>13,581</u>	
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of Property and Equipment	(9,432)	
Payment of Long-Term Debt	(503,050)	
Interest Paid on Long-Term Debt	(80,019)	
Net Cash Used By Capital and Related Financing Activities	<u>(592,501)</u>	
<b>Cash Flows From Investing Activities</b>		
Bank Service Charges		(4,671)
Interest Earned	<u>19,754</u>	<u>100,847</u>
Net Cash Provided By Investing Activities	<u>19,754</u>	<u>96,176</u>
Net Change In Cash and Cash Equivalents	(96,566)	746,030
Cash and Cash Equivalents - July 1, 2006	<u>262,694</u>	<u>2,184,110</u>
Cash and Cash Equivalents - June 30, 2007	<u>\$ 166,128</u>	<u>\$ 2,930,140</u>

The accompanying notes are an integral part of the financial statements.

**KENTON COUNTY**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Reconciliation of Net Income from Operations to Net Cash Provided by Operating Activities</b>	<b>Kenton County Golf Course</b>	<b>Health Insurance Fund</b>
Operating Income	\$ (33,078)	\$ 649,854
Adjustments to Reconcile Operating Income To Net Cash Provided (Used)		
By Operating Activities:		
Depreciation Expense	392,308	
Amortization	37,292	
Changes In Assets and Liabilities:		
Concession Receivable	(600)	
Inventory	(10,407)	
Accounts Payable	54,954	
Accrued Liabilities	27,013	
Gift Certificates Outstanding	(4,882)	
Net Cash Provided By Operating Activities	<u>\$ 462,600</u>	<u>\$ 649,854</u>

The accompanying notes are an integral part of the financial statements.

**KENTON COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**





**KENTON COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>Agency Funds</b>	
	<b>Flexible Spending Account Fund</b>	<b>Jail Inmate Fund</b>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 30,339	\$ 12,854
Total Assets	<u>30,339</u>	<u>12,854</u>
<b>Liabilities</b>		
Amounts Held In Custody For Others	30,339	12,854
Total Liabilities	<u>\$ 30,339</u>	<u>\$ 12,854</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The County presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The accounting and financial reporting treatment applied to the Kenton County Golf Course and the Kenton Housing, Inc. is determined by its measurement focus. The transactions are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Revenues and expenses are recorded when earned or incurred regardless of cash flow timing.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the County to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets, and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Kenton County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the County's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Units**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on these organizations. These organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Kenton County Public Properties

The Board of Directors of the Kenton County Public Properties are the members of the Kenton County Fiscal Court. The Corporation was created solely for the benefit of the Fiscal Court per KRS 58.180 to act as an agent in the acquisition and financing of any public project and cannot be sued in its own name without recourse to the Kenton County Fiscal Court. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts, or provide financial support to the corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within the financial statements of the County.

Kenton County Golf Course

The Kenton County Golf Course is a component unit and operating division of the Kenton County Fiscal Court. All activities of the Golf Course are accounted for within a single proprietary (enterprise) fund.

Audited financial statements for the Kenton County Golf Course may be requested by contacting the Kenton County Treasurer, PO Box 792, 303 Court Street, Covington, KY 41012.

Discretely Presented Component Unit

The component unit column in the combined financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize this organization's separateness from the fiscal court's primary government.

Kenton Housing, Inc.

Kenton Housing, Inc. (Rosedale Manor Nursing Home) is a discretely presented component unit. The land and the building are the property of Kenton County Public Properties. They are made available to the Facility so that long-term care is available in Kenton County.

Audited financial statements for Kenton Housing, Inc., a discretely presented component unit, may be requested by contacting Kenton Housing, Inc. at 4250 Glenn Avenue, Covington, KY 41015.

**C. Kenton County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Kenton County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the County, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Kenton County, Kentucky.

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Kenton County Elected Officials (Continued)**

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues. Business-type revenues come mostly from fees charged to external parties for goods and services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) October 1, due at discount October 31, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 1<sup>st</sup> Tuesday in April following the delinquency date.

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental) and whose assets, liabilities, revenues or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Occupational License Tax Fund - The primary purpose of this fund is to account for the collection of occupational license and payroll taxes.

Debt Service Fund- The purpose of this fund is to account for payments of bonds and capital leases.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Community Development Block Grant Fund, Special Police Fund, Jail Canteen Fund, and the Bond Proceeds Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Occupational License Tax Fund, Bond Proceeds Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund, Special Police Fund, and the Jail Canteen Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

**Debt Service Fund:**

The Debt Service fund is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales at the Kenton County golf courses. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Kenton County Golf Course – The statements presented in this report are prepared on the accrual basis, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

**Internal Service Fund**

The primary government reports the following internal service fund:

Health Insurance Fund - The Fiscal Court maintains this internal service fund to account for the health insurance provided to employees.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The primary government reports the following fiduciary funds:

Kenton County/Cities Tax Collection Fund - This fund accounts for payroll taxes received from businesses and remitted to the local cities and other county funds.

Jail Inmate Fund - This fund accounts for funds received from inmates after incarceration.

Flexible Spending Account Fund - This fund accounts for funds received from employees for their flexible spending accounts.

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Presentation of Component Units**

The financial statements present the following major discretely presented component unit: Kenton Housing, Inc.

It is reported on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled as Kenton Housing, Inc. to emphasize this organization's separateness from the fiscal court's primary government.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the County to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, non-dependable land improvements, depreciable land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60 years
Buildings and Building Improvements	\$ 50,000	10-75 years
Machinery and Equipment	\$ 10,000	3-15 years
Vehicles	\$ 10,000	3-15 years
Infrastructure	\$ 25,000	10-50 years



**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the Governor's Office for Local Development.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the Governor's Office for Local Development. Expenditures may not exceed budgeted appropriations at the activity level.

The Health Insurance Fund was not budgeted as health insurance premiums are budgeted in the other County funds. The Kenton County/Cities Tax Collection Fund was not budgeted as the County portion is budgeted in the Occupational License Tax Fund. The Jail Canteen Fund is not budgeted, as the County is not required to approve those expenditures. The Special Police Fund is not budgeted as those expenditures are budgeted and paid through the General Fund. The funds are then transferred from the Special Police Fund. The Bond Proceeds Fund is not budgeted as those funds are also budgeted through other funds and then transferred out of the Bond Proceeds Fund.

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 2. Deposits and Investments**

**A. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. As of December 31, 2006, all deposits of the discretely presented component unit were covered by FDIC insurance or a properly executed collateral security agreement.

**B. Investments**

As of June 30, 2007, the County had the following investments:

**Cash and Investments by Type**

<b>I. Cash</b>	<b>Cost</b>
Cash	\$ 8,717
Money Market	43,638
Total:	<u>\$ 52,355</u>
	<b>Cost</b>
<b>II. Investments</b>	<b>&lt; 1 Year</b>
Agency Notes	\$ 1,099,328
Discount Notes	1,657,034
Total:	<u>\$ 2,756,362</u>
<b>Total Investments</b>	<u>\$ 2,808,717</u>

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

**Interest Rate Risk.** The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

**Credit Risk.** KRS 66.480 limits the County's investments in the following: obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government. Certificates of Deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency. Bankers' acceptances for banks rate in one of the three highest categories by a nationally recognized rating agency. Commercial paper rated in the highest category by a nationally recognized agency. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities. Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency. Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments. Also, the County is limited to investing no more than 20% in any one of four specifically named investments as allowed by KRS 66.480. The County had no investment policy that would further limit its investment choices. See the chart below for credit ratings for each individual investment type.

<b>Credit Ratings</b>	<b>Concentration of</b>		
	<b>AAA</b>	<b>Cost</b>	<b>Percentage</b>
Fixed Income Investments:			
Agency and Discount Notes	\$ 2,756,362	\$ 2,756,362	100%
Total Investments	\$ 2,756,362	\$ 2,756,362	100%

**Concentration of Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. See the chart above for investments that exceed five percent or more of the total investments for the County.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2007, the County's investments were not exposed to custodial credit risk.

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

Kenton Housing, Inc. (Discretely Presented Component Unit)

The Facility maintains an investment policy allowing funds to be invested in Government Securities, High Grade Corporate Securities and other Securities as deemed appropriate. The investments are maintained in separate portfolios for Investments – general and Investments – board restricted for plant.

The Facility has a board adopted policy of self-imposing a restriction on certain investments. Annually an amount of funds are transferred from investments-general, and cash and cash equivalents, to investments-board restricted for plant. The amount transferred is equal to the annual depreciation and amortization charge. The related earnings and expenses of the investments-board restricted for plant account remain in and are charged to that account. The funds in turn are used for and are available to provide for major alterations, repairs, and renovations of the Facility's building and equipment.

The Facility had balances in the accounts on December 31, 2006, as follows:

	<u>As Of</u> <u>December 31, 2006</u>
Investments	
Fair Market Value	\$ 3,608,379
Cost Basis	\$ 3,184,223
Investments - board restricted for plant	
Fair Market Value	\$ 895,162
Cost Basis	\$ 768,820

As of December 31, the composition of all investments is as follows:

Cash (market yield - 4.25%)	\$ 67,666
Fixed Income Securities	2,096,274
(market yield 3.0% - 6.625%)	
Mutual Funds	152,747
Equities	2,186,854
Fair Market Value	\$ 4,503,541
Original Cost	\$ 3,953,043

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<b><u>Governmental Activities:</u></b>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 12,976,500	\$ 750,000	\$	\$ 13,726,500
Construction in Progress		39,000		39,000
Total Capital Assets Not Being Depreciated	12,976,500	789,000		13,765,500
Capital Assets, Being Depreciated:				
Buildings and Improvements	86,544,043	81,900		86,625,943
Vehicles and Equipment	8,880,270	429,505	(249,832)	9,059,943
Infrastructure	11,501,286	415,055		11,916,341
Total Capital Assets Being Depreciated	106,925,599	926,460	(249,832)	107,602,227
Less Accumulated Depreciation For:				
Buildings and Improvements	(21,106,028)	(579,443)		(21,685,471)
Vehicles and Equipment	(4,370,642)	(857,212)	249,832	(4,978,022)
Infrastructure	(3,969,530)	(648,491)		(4,618,021)
Total Accumulated Depreciation	(29,446,200)	(2,085,146)	249,832	(31,281,514)
Total Capital Assets, Being Depreciated, Net	77,479,399	(1,158,686)		76,320,713
Governmental Activities Capital Assets, Net	\$ 90,455,899	\$ (369,686)	\$ 0	\$ 90,086,213

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 354,885	\$	\$	\$ 354,885
Total Capital Assets Not Being Depreciated	354,885			354,885
Capital Assets, Being Depreciated:				
Land Improvements	6,784,003			6,784,003
Buildings	1,044,812			1,044,812
Driveways	153,901			153,901
Power Carts	657,661			657,661
Machinery and Equipment	1,471,672	9,434		1,481,106
Furniture and Fixtures	131,574			131,574
Total Capital Assets Being Depreciated	10,243,623	9,434		10,253,057
Less Accumulated Depreciation For:				
Land Improvements	(3,931,590)	(209,062)		(4,140,652)
Buildings	(483,353)	(25,431)		(508,784)
Driveway	(151,411)	(1,594)		(153,005)
Power Carts	(47,448)	(130,760)		(178,208)
Machinery and Equipment	(1,414,866)	(25,368)		(1,440,234)
Furniture and Fixtures	(131,404)	(93)		(131,497)
Total Accumulated Depreciation	(6,160,072)	(392,308)		(6,552,380)
Total Capital Assets, Being Depreciated, Net	4,083,551	(382,874)		3,700,677
Business-Type Activities Capital Assets, Net	\$ 4,438,436	\$ (382,874)	\$ 0	\$ 4,055,562

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 595,099
Protection to Persons and Property	469,800
General Health and Sanitation	2,275
Recreation and Culture	25,874
Roads	736,927
Transportation Facilities	150,000
Road Facilities	13,404
Administration	91,767
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,085,146</u>
 <u>Business-Type Activities</u>	
Golf Course	<u>\$ 382,874</u>
	<hr/>
Total Depreciation Expense - Business-Type Activities	<u>\$ 382,874</u>

**Note 4. Notes Receivable**

Ft. Mitchell LLC

A receivable was due from Fort Mitchell Developers to the Community Development Block Grant Fund for loans made from grant funds. On May 20, 2006 the loan agreement was modified deferring the interest due on the loan. Interest due from the date of the loan has been added to the principal amount due and future interest will be compounded quarterly. The total of interest and principal of \$388,819 shall be due and payable not later than December 31, 2007. This was subsequently paid in 2007.

Internal Receivable/Payable

The fiscal court paid \$372,200 toward the purchase of power carts for the Golf Course. Starting in fiscal year 2007, the Golf Course will make an interest-free payment each year for four years of \$93,050. This amount is included in the assets of governmental funds and the liabilities of enterprise funds. It is also included as an internal receivable and internal payable at the government-wide level, the net effect of which is zero.

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-Term Debt**

**A. Public Properties Corporation Fund - Courthouse Facilities Project Bond Issue**

The Kenton County Public Properties Corporation issued first mortgage revenue bonds to provide funds for a courthouse facilities project dated June 1, 1998. The total bond issue of \$19,920,000 was in multiples of \$5,000 and integral multiples thereof. These bonds mature on March 1 of years between 2000 and 2029, with interest of 4.85% and 5.00% payable on March 1 and September 1 of each year. These bonds were refunded in 2007.

**B. Public Properties Corporation Fund - Parking Facilities Project Bond Issue:**

The Kenton County Public Properties Corporation issued first mortgage revenue bonds to provide funds for a parking facilities project dated December 1, 1996. The total bond issue of \$17,400,000 was in denominations of \$5,000 and integral multiples thereof. These bonds mature on December 1 of years between 1998 and 2016, with interest of 4.5% to 5.7% payable on June 1 and December 1 of each year. However, bonds with due dates of fiscal year 2008 and later were refunded by the issuance of General Obligation Bond - Various Purpose Bond Series 2004B. These bonds were refunded in 2007.

**C. General Obligation Bond-Variious Purpose Bond Series 2004A**

The Kenton County Fiscal Court issued a general obligation bond to provide funds for various County road projects; modifications to the County detention center and acquisition of mobile data terminal network and installation dated December 9, 2003. The total bond issue of \$9,000,000 was in denominations of \$5,000 and integral multiples thereof. These bonds mature on June 30 of years between 2006 and 2014, with interest of 2.0% to 3.5% payable on June 30 of each year. The bonds outstanding on June 30, 2007 were \$6,530,000. Huntington National Bank is the paying agent and bond registrar. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 860,000	\$ 187,787
2009	875,000	167,175
2010	895,000	142,813
2011	930,000	114,857
2012	955,000	84,806
2013-2014	2,015,000	70,519
Totals	<u>\$ 6,530,000</u>	<u>\$ 767,957</u>



**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**D. General Obligation Bond - Various Purpose Series 2004B**

The Kenton County Fiscal Court issued \$15,990,000 of its Various Purpose General Obligation (GO) Bonds, 2004 Series B, for the purpose of advance refunding a portion of the Kenton County, Kentucky, Public Properties Corporation First Mortgage Revenue Bonds (Parking Facilities Project) 1996 Series A, to advance refund a portion of Kenton County, Kentucky, Public Properties Corporation First Mortgage Revenue Bonds (Park and Recreational Facilities Project) 1995 Series A, and to reimburse the County for funds used to repay amounts due and owing under a Lease Participation Agreement by and between the Kentucky Local Correctional Facilities Construction Authority and the County of Kenton, Kentucky, acting by and through its Fiscal Court dates as of October 15, 1984 as amended February 15, 1987 and amended on February 1, 1994, ("Collectively the Refunding"). The bonds were issued in denominations of \$5,000 each and integral multiples thereof. The bonds mature on December 1 of years 2006 through 2016, with interest of 2.0% to 4.0% payable on June 1 and December 1 of each year. The bonds outstanding on June 30, 2007 were \$15,000,000. The Bank of New York Trust Company, Cincinnati, Ohio is paying agent and Bond Registrar.

The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 1,395,000	\$ 474,485
2009	1,430,000	435,598
2010	1,470,000	392,098
2011	1,510,000	347,198
2012	1,565,000	301,347
2013-2017	7,630,000	688,819
Totals	<u>\$ 15,000,000</u>	<u>\$ 2,639,545</u>

**E. Mortgage Revenue Refunding Bond, Series 1997**

The Kenton County, Kentucky, Public Parks Corporation issued bonds dated September 1, 1997 in the amount of \$4,690,000. The proceeds from the sale of the bonds were used to advance refund the outstanding mortgage revenue bonds, series 1990, of the Corporation, dated March 1, 1990, which were issued to pay the costs of construction, acquisition, and installation of the Fox Run Golf Course.

Requirements for principal and interest payments for the next five years and thereafter are:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2008	\$ 430,000	\$ 61,870
2009	445,000	42,090
2010	470,000	21,620
	<u>\$ 1,345,000</u>	<u>\$ 125,580</u>

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**F. Revenue Refunding Bonds –Court Facilities Project Series 2007**

The Kenton County Public Properties Corporation issued bonds dated February 1, 2007 in the amount of \$17,740,000. The proceeds from the sale of the bonds were used to advance refund the outstanding mortgage revenue bonds, series 1998A, of the Corporation, dated June 1, 1998, which were issued to pay the costs of construction of the courthouse facilities project. The bonds mature on March 1 of years 200 through 2029, with interest of 4.00% to 4.25% payable on March 1 and September 1 of each year. The bonds outstanding on June 30, 2007 were \$17,740,000.

Requirements for principal and interest payments for the next five years and thereafter are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 0	\$ 808,512
2009	550,000	746,319
2010	570,000	724,319
2011	590,000	701,519
2012	620,000	677,181
2013-2017	3,475,000	2,982,894
2018-2022	4,270,000	2,200,238
2023-2027	5,240,000	1,217,056
2028-2032	2,425,000	160,343
Totals	<u>\$ 17,740,000</u>	<u>\$ 10,218,381</u>

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Bonds	\$ 41,200,000	\$17,740,000	\$ 19,670,000	\$ 39,270,000	\$ 2,255,000
Governmental Activities Long-Term Liabilities	<u>\$ 41,200,000</u>	<u>\$ 17,740,000</u>	<u>\$ 19,670,000</u>	<u>\$ 39,270,000</u>	<u>\$ 2,255,000</u>
<u>Business-Type Activities:</u>					
Mortgage Revenue Bonds-1997	\$ 1,755,000	\$	\$ 410,000	\$ 1,345,000	\$ 430,000
Business-Type Activities Long-Term Liabilities	<u>\$ 1,755,000</u>	<u>\$ 0</u>	<u>\$ 410,000</u>	<u>\$ 1,345,000</u>	<u>\$ 430,000</u>

**Note 6. Interest On Long-Term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$1,592,846 in interest on bonds and \$335,257 in escrow funding.

**Note 7. Employee Retirement System**

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 8. Deferred Compensation**

On February 24, 2000, the Kenton County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school, and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 9. Self-Insurance**

The Kenton County Fiscal Court elected to begin a self-funded liability and health insurance plan in April of 1992. This self-funded plan covers all employees and county property. The County elected to purchase a stop-loss insurance policy from United Healthcare Insurance Company to cover losses from individual and aggregate claims once the County reached the individual and aggregate attachment points. Employees are required to assume liability for claims in excess of maximum lifetime reimbursements established by the insurance company.

Kenton County Fiscal Court contracts with Custom Design Benefits, Inc. for administration of the health insurance fund. They contract with Alternative Service Concepts, LLC to administer liability and worker's compensation claims.

**Note 10. Estimated Infrastructure Historical Cost**

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through the fiscal year ended June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

**KENTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 11. Proposed New Jail Site**

Kenton County has purchased some land near Independence for the construction of a new jail. The Kentucky Attorney General issued an opinion that the Kenton County Fiscal Court acted improperly when it called closed-door meetings to discuss the acquiring of land for a new jail. As a result of this opinion, the Kenton County Fiscal Court met on April 10, 2007 in an open meeting to ratify, reaffirm, and adopt as binding the execution of the purchase in December 2007. The Fiscal Court did follow proper purchasing procedures for the actual purchase. Another site has been chosen as of August 25, 2008.

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**KENTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**





**KENTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**

<b>GENERAL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 14,183,000	\$ 14,183,000	\$ 14,968,906	\$ 785,906
In Lieu Tax Payments	22,000	22,000	24,779	2,779
Excess Fees	2,250,000	2,250,000	2,631,769	381,769
Licenses and Permits	44,500	44,500	170,900	126,400
Intergovernmental	3,443,700	3,443,700	1,408,155	(2,035,545)
Charges for Services	2,530,000	2,530,000	2,579,128	49,128
Miscellaneous	2,853,500	2,853,500	2,739,483	(114,017)
Interest	220,000	220,000	453,098	233,098
Total Revenues	<u>25,546,700</u>	<u>25,546,700</u>	<u>24,976,218</u>	<u>(570,482)</u>
<b>EXPENDITURES</b>				
General Government	3,501,398	3,710,951	3,288,378	422,573
Protection to Persons and Property	4,630,608	4,991,949	4,259,578	732,371
General Health and Sanitation	913,447	1,315,413	557,394	758,019
Social Services	568,500	594,500	252,645	341,855
Recreation and Culture	2,700,000	2,700,000	291,571	2,408,429
Debt Service	1,546,404	1,546,404	1,545,562	842
Capital Projects	1,266,100	2,256,600	2,111,156	145,444
Administration	9,009,543	7,020,183	5,156,178	1,864,005
Total Expenditures	<u>24,136,000</u>	<u>24,136,000</u>	<u>17,462,462</u>	<u>6,673,538</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,410,700</u>	<u>1,410,700</u>	<u>7,513,756</u>	<u>6,103,056</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	<u>(6,012,500)</u>	<u>(6,012,500)</u>	<u>(5,473,000)</u>	<u>539,500</u>
Total Other Financing Sources (Uses)	<u>(6,012,500)</u>	<u>(6,012,500)</u>	<u>(5,473,000)</u>	<u>539,500</u>
Net Changes in Fund Balance	(4,601,800)	(4,601,800)	2,040,756	6,642,556
Fund Balance - Beginning	<u>4,601,800</u>	<u>4,601,800</u>	<u>5,371,989</u>	<u>770,189</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,412,745</u>	<u>\$ 7,412,745</u>

**KENTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 1,008,500	\$ 1,008,500	\$ 1,386,769	\$ 378,269
Charges for Services	465,000	465,000	524,189	59,189
Miscellaneous	163,000	163,000	258,630	95,630
Interest	30,000	30,000	70,569	40,569
Total Revenues	1,666,500	1,666,500	2,240,157	573,657
<b>EXPENDITURES</b>				
Recreation and Culture	665,996	769,217	657,252	111,965
Roads	3,100,746	3,141,566	2,109,894	1,031,672
Road Facilities	1,173,940	1,263,135	1,133,187	129,948
Administration	1,259,318	1,026,082	922,574	103,508
Total Expenditures	6,200,000	6,200,000	4,822,907	1,377,093
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(4,533,500)	(4,533,500)	(2,582,750)	1,950,750
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	1,500,000	1,500,000	1,556,522	56,522
Transfers From Other Funds	1,839,500	1,839,500	1,200,000	(639,500)
Total Other Financing Sources (Uses)	3,339,500	3,339,500	2,756,522	(582,978)
Net Changes in Fund Balance	(1,194,000)	(1,194,000)	173,772	1,367,772
Fund Balance - Beginning	1,194,000	1,194,000	1,423,566	229,566
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,597,338	\$ 1,597,338

**KENTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 2,106,000	\$ 2,106,000	\$ 1,747,187	\$ (358,813)
Charges for Services	35,000	35,000	36,367	1,367
Miscellaneous	461,000	461,000	530,707	69,707
Interest	75,000	75,000	50,253	(24,747)
Total Revenues	<u>2,677,000</u>	<u>2,677,000</u>	<u>2,364,514</u>	<u>(312,486)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	5,131,687	5,331,512	4,945,013	386,499
Administration	2,468,313	2,268,488	1,965,432	303,056
Total Expenditures	<u>7,600,000</u>	<u>7,600,000</u>	<u>6,910,445</u>	<u>689,555</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(4,923,000)</u>	<u>(4,923,000)</u>	<u>(4,545,931)</u>	<u>377,069</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>4,173,000</u>	<u>4,173,000</u>	<u>4,273,000</u>	<u>100,000</u>
Total Other Financing Sources (Uses)	<u>4,173,000</u>	<u>4,173,000</u>	<u>4,273,000</u>	<u>100,000</u>
Net Changes in Fund Balance	(750,000)	(750,000)	(272,931)	477,069
Fund Balance - Beginning	<u>750,000</u>	<u>750,000</u>	<u>790,164</u>	<u>40,164</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 517,233</u>	<u>\$ 517,233</u>

**KENTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>OCCUPATIONAL LICENSE TAX FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 10,800,000	\$ 10,800,000	\$ 11,240,191	\$ 440,191
Intergovernmental	700,000	700,000	0	(700,000)
Miscellaneous	175,000	175,000	307,664	132,664
Interest	200,000	200,000	355,867	155,867
Total Revenues	11,875,000	11,875,000	11,903,722	28,722
<b>EXPENDITURES</b>				
General Health and Sanitation	2,937,044	2,937,044	1,591,739	1,345,305
Social Services	3,981,284	3,981,284	2,021,555	1,959,730
Bus Services	7,931,395	7,931,395	7,780,468	150,927
Other Transportation Facilities and Services	2,630,277	2,480,277	1,536,516	943,761
Administration	200,000	350,000	308,005	41,995
Total Expenditures	17,680,000	17,680,000	13,238,283	4,441,718
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(5,805,000)	(5,805,000)	(1,334,561)	4,470,440
Net Changes in Fund Balances	(5,805,000)	(5,805,000)	(1,334,561)	4,470,440
Fund Balances - Beginning	5,805,000	5,805,000	8,097,046	2,292,046
Fund Balances - Ending	\$ 0	\$ 0	\$ 6,762,485	\$ 6,762,486

**KENTON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2007**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the Governor's Office for Local Development.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the Governor's Office for Local Development. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of the General Fund**

Total Revenues-Budgetary Basis	\$ 24,976,218
Drug Asset Forfeiture Account	(26,599)
Interest Earned on Bicentennial Account	409
Miscellaneous Adjustment	<u>132</u>
Total Revenues-Modified Cash Basis	<u>\$ 24,950,160</u>
 Total Expenditures-Budgetary Basis	 \$ 17,462,462
To Record Transfer of Debt Payments	<u>(1,545,562)</u>
Total Expenditures-Modified Cash Basis	<u>\$ 15,916,900</u>
 Total Other Financing Sources and Uses-Budgetary Basis	 \$ (5,473,000)
To Record Transfer of Debt Payments	(1,545,562)
To Record Transfer From Special Police Account	<u>20,138</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u>\$ (6,998,424)</u>

**KENTON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2007**

**Reconciliation of the Occupational License Tax Fund**

Total Revenues-Budgetary Basis	\$ 11,903,722
To Record Investment Income Not Recorded	<u>345</u>
Total Revenues-Modified Cash Basis	<u>\$ 11,904,067</u>
Total Expenditures-Budgetary Basis	\$ 13,238,283
To Record Transfer of Debt Payments	<u>(1,398,276)</u>
Total Expenditures-Modified Cash Basis	<u>\$ 11,840,007</u>
Total Other Financing Sources and Uses-Budgetary Basis	\$ 0
To Record Transfer of Debt Payments	<u>1,398,276</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u>\$ 1,398,276</u>
Fund Balance-Ending-Budgetary Basis	\$ 6,762,485
To Record Investment Income Not Recorded	<u>345</u>
Fund Balance-Ending-Modified Cash Basis	<u>\$ 6,762,830</u>

**KENTON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2007**





**KENTON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2007**

	<b>LGEA Fund</b>	<b>CDBG Fund</b>	<b>Special Police Fund</b>	<b>Jail Canteen Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 5,822	\$ 727,525	\$ 115,408	\$ 43,788	\$ 892,543
Due From County Golf Course		279,150			279,150
Total Assets	<u>5,822</u>	<u>1,006,675</u>	<u>115,408</u>	<u>43,788</u>	<u>1,171,693</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances		211,664			211,664
Unreserved:					
Special Revenue Funds	<u>5,822</u>	<u>795,011</u>	<u>115,408</u>	<u>43,788</u>	<u>960,029</u>
Total Fund Balances	<u>\$ 5,822</u>	<u>\$ 1,006,675</u>	<u>\$ 115,408</u>	<u>\$ 43,788</u>	<u>\$ 1,171,693</u>

The accompanying notes are an integral part of the financial statements.

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**KENTON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

**KENTON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

	<b>LGEA Fund</b>	<b>CDBG Fund</b>	<b>Special Police Fund</b>
<b>REVENUES</b>			
Intergovernmental	\$ 33,914	\$	\$ 10,000
Miscellaneous		391,476	
Interest	412	18,291	6,789
Total Revenues	<u>34,326</u>	<u>409,767</u>	<u>16,789</u>
<b>EXPENDITURES</b>			
Protection to Persons and Property			
Roads	45,200		
Total Expenditures	<u>45,200</u>		
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(10,874)</u>	<u>409,767</u>	<u>16,789</u>
<b>Other Financing Sources (Uses)</b>			
Transfers To Other Funds			(20,138)
Total Other Financing Sources (Uses)			<u>(20,138)</u>
Net Change in Fund Balances	(10,874)	409,767	(3,349)
Fund Balances - Beginning	16,696	596,908	118,757
Fund Balances - Ending	<u>\$ 5,822</u>	<u>\$ 1,006,675</u>	<u>\$ 115,408</u>

The accompanying notes are an integral part of the financial statements.

**KENTON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Jail Canteen Fund</b>	<b>Bond Proceeds Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$	\$
37,144		43,914
	4,080	428,620
		29,572
37,144	4,080	502,106
33,522		33,522
		45,200
33,522		78,722
3,622	4,080	423,384
	(1,556,522)	(1,576,660)
	(1,556,522)	(1,576,660)
3,622	(1,552,442)	(1,153,276)
40,166	1,552,442	2,324,969
\$ 43,788		\$ 1,171,693

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







Peercy and Gray, PSC

**Certified Public Accountants**

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Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Ralph Drees, Kenton County Judge/Executive  
Members of the Kenton County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kenton County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated August 25, 2008, wherein we issued a qualified opinion on the business-type activities, discretely presented component unit, and the major enterprise fund because the financial statements of the Kenton County Golf Course and Kenton Housing, Inc. have been prepared under accounting principles generally accepted in the United States of America. Kenton County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We did not audit the Kenton County Golf Course, a major enterprise fund, or Kenton Housing, Inc., a discretely presented component unit. Those entities were audited by other auditors whose reports were furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kenton County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kenton County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kenton County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Kenton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Judge/Executive Should Receive His Statutory Maximum
- The County Should Secure A Contract Between Themselves And Other Governmental Entities For Whom County Employees Are Performing Financial Services

The Kenton County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Kenton County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

August 25, 2008

**KENTON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2007**



**KENTON COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 2007**

STATE LAWS AND REGULATIONS

The County Judge/Executive Should Receive His Statutory Maximum

The County Judge/Executive only received a salary for the first three pay periods in 2005. On February 22, 2005, the Fiscal Court passed Resolution 05-04. This resolution granted the request of the Judge/Executive to voluntarily reduce his level of compensation to \$1 per year for an indeterminate period of time, and that balance of his salary shall be approved for the establishment of a Community Improvement Grant Program in the office of the County Judge/Executive from which grant awards will be made for projects to provide direct benefit to the citizens of Kenton County, a record of which shall become a part of the Claims List for review when grants are awarded. Therefore, the Judge/Executive received a salary of \$8,833 for the calendar year 2005 and \$1 for the fiscal year ended June 30, 2006. To date, he still does not take a salary directly. KRS 64.535 requires that the Judge/Executive receive a monthly salary of one-twelfth (1/12) of the amount indicated by the salary schedule in KRS 64.5275. Based on this schedule, the County Judge/Executive was underpaid \$74,207 for the calendar year 2005 and his entire salary of \$89,978 (less \$1) for calendar year 2006, and \$96,516.81 for calendar year 2007.

We recommend the Fiscal Court pay the Judge/Executive the amounts owed to him and that they comply with this statute in the future. This statute cannot be overridden through a Fiscal Court Resolution. The Judge should receive his salary with the proper deductions and contributions to retirement. He then can donate whatever he wishes to the Community Improvement Grant Program.

*County Judge/Executive Ralph Drees' Response: Acknowledged*

The County Should Secure A Contract Between Themselves And Other Governmental Entities For Whom County Employees Are Performing Financial Services

It came to the auditor's attention there are several high level county employees performing financial services for other governmental entities on county time and being compensated by those entities, in addition to receiving their regular county salaries with the additional compensation not being included on their W-2s nor subsequent 1099s being issued.

Upon investigation, we noted that three employees were doing work for the Co-op Extension Center, and one of the three was also doing work for the Northern Kentucky Drug Strike Force and the Linden Grove Cemetery. From fiscal year 2003 through fiscal year 2007, one of the employees received \$3,400 for work on the Co-op Extension Center, another employee received \$18,300 for work on the Co-op Extension Center, and the third employee received \$6,300 for work on the Co-op Extension Center, \$4,260 for work on the Linden Grove Cemetery, and \$31,500 for work on the Northern Kentucky Drug Strike Force. These entities are not affiliated with, nor are they component units of the Kenton County Fiscal Court. However, these employees were using the county's computer system, office space, and resources for their records. It could not be determine whether or not the involved employees were working on the county's time since there are no time records to indicate the hours worked for these entities. This situation has not only occurred in the fiscal year ending June 30, 2006, but also has occurred in fiscal year 2007 and fiscal year 2008, as well as in the past. In accordance with the prior year auditor's recommendation, a 1099 was issued by the county for payments received in 2007. No 1099's were issued for the amounts paid from 2003 through 2006.

**KENTON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

STATE LAWS AND REGULATIONS (Continued)

We recommend the county enter into a contract with the involved entities to do this work if county employees and the county data system are to be utilized. We also recommend that no extra compensation be given to county employees for the performance of this work. Any compensation received from these entities should be considered a reimbursement to the county for the use of the county's resources. If county employees work overtime to do this, they should be paid overtime like they would be paid for any other county work. For payments already received in 2003 through 2006, 1099's should be issued from these entities to the involved employees. We are referring this matter to the Kenton County Attorney for his determination if further investigation is warranted.

*County Judge/Executive Ralph Drees' Response: The process of paying employees for such services are now provided through county payroll through contractual agreements by and between the county and third party entities and the need to file appropriate 1099 data will be dealt with accordingly.*

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**KENTON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**



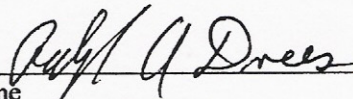


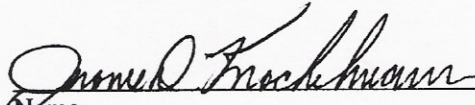
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

KENTON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Kenton County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer